

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Inverness Township	County Cheboygan
Fiscal Year End March 31, 2006	Opinion Date June 19, 2006	Date Audit Report Submitted to State July 26, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

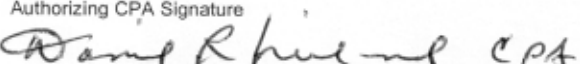
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Daniel R. Nieland C.P.A.		Telephone Number 231-627-4396	
Street Address 201 South Main Street		City Cheboygan	State MI
		Zip 49721	
Authorizing CPA Signature 	Printed Name Daniel R. Nieland C.P.A.		License Number 12250

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
MARCH 31, 2006

# DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET  
CHEBOYGAN, MICHIGAN 49721  
(231) 627-4396  
FAX: (231) 627-6594

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS  
AND  
MICHIGAN ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

Supervisor and Members Of  
The Township Board of Trustees  
Inverness Township  
Cheboygan County, Michigan 49721

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Inverness Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund and the aggregate remaining fund information of Inverness Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the footnotes, Inverness Township has implemented a new financial reporting model, as required by the provisions of *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as amended and interpreted as of March 31, 2006.

The Management's Discussion and Analysis, and budgetary comparison information on pages 4 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Inverness Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Inverness Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, based on my audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANT

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2006

The Management's Discussion and Analysis for Inverness Township covers the Township's financial performance during the year ended March 31, 2006.

Cash

Inverness Township continues to operate with substantial cash on hand. Cash has been invested in Certificates of Deposit in order to gain the best return yet keep the funds readily available.

Roads

The township attempts to complete one or two major road projects per year, depending on cost estimates and scheduling by the County Road Commission. In 2004, Maxwell Road was resurfaced at a cost of \$34,408. In 2005, Wing Road was double seal coated at a cost of \$19,855.

Liquor Fund

Liquor revenue funds from the State of Michigan are no longer adequate to cover what the Township pays out for liquor inspections. As a result, frequency of inspections has been reduced to every other month.

Sewer Project

Sewer project is complete and functioning with minimal other-than-ordinary maintenance. The Township must follow up on preventive maintenance of grinder pumps within the system.

A Sewer Special Assessment District was established February 11, 2002.

REUs are increasing slowly as the Pier 33 condo project comes on line as well as new development at River Ridge condos and other small business/office buildings.

DDA tax increment revenues, as originally estimated, fell short due to a later-than-expected completion date of the project. Actual revenues for 2005 finally exceeded estimates.

Township Hall

The Township Hall, built new in 1996, continues to serve residents at reasonable rental rates. Maintenance has been minimal at the Hall. In each of the past two years, rents covered approximately one-half of the building and grounds costs at the Hall.

Transfer Station

The Transfer Station continues to offer trash disposal to residents only at a minimal rate. In each of the past two years, fees have covered slightly less than one-half of the transfer station costs.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2006

Joint Fire Department

Considerable discussion has been held recently about either building a new Fire Hall or expanding on the existing hall. Four Townships own the present hall jointly. The two smaller Townships of the four assert that they are not in a position to participate in this venture. Inverness Township may consider joining with one Township to fund this project but many details remain to be worked out.

The Township is requesting renewal of its one mil Special Voted Fire Millage at the August 8, 2006, Primary Election.

Township Parks

The Township maintains two parks on Mullet Lake. Picnic tables will be replaced in 2006.

Township Cemeteries

The Township maintains two cemeteries. Because of limited availability, burial plots are being sold to residents only.

Financial Highlights

Our financial status remained stable over the last year. Net assets decreased from \$2,142,973 to \$2,027,419 for an decrease of \$115,554. This decrease was due primarily to capital outlay in the Fire Fund in the amount of \$197,549 for the purchase of a new fire truck.

Overall revenue was \$798,716. Taxable value increased by approximately \$16,238,300. We incurred no new debt.

Overview of Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2006

Overview of Financial Statements (Continued)

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity-Wide Financial Statements

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All activities of the Township are reported as governmental activities, and there are no business type activities. Governmental activities include the General Fund, Fire Fund, Road Fund, Revolving and Development Fund and Liquor Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant funds and not the Township as a whole. In the section for other supplement information, the General Fund revenue and expenditures are shown on the line item basis. Funds are used to account for specific activities or funding sources. Some funds are just required by law. The Township Board may also create them. Funds are established to account for funding and spending financial resources and to show proper expenditures of those resources.

The Township has the following funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Street Lighting Fund, Liquor Fund and D.D.A. Fund.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2006

Proprietary Funds: These funds are used to account for the Sewer Funds. This fund type is used to report activity for which a fee is charged to external users for goods or services. The Proprietary Funds consist of the Sewer Fund and the Sewer Reserve Fund.

Financial Analysis of the Township as a Whole

Our cash position in all governmental activities remains strong. Year-end cash position of all funds is as follows:

General Fund	\$905,518
Cemetery Fund	28,810
Street Lighting Fund	2,236
D.D.A.	26,038
Liquor Fund	<u>395</u>
Total Government Fund Cash	<u>\$962,997</u>

Financial Analysis of the Township's Funds

Individual fund balances remain solid, as indicated by year-end balance and net change reflected below:

	Balance March 31, <u>2005</u>	Balance March 31, <u>2006</u>	Increase (Decrease)
General Fund	\$ 774,691	\$ 879,912	\$105,221
Fire Fund	235,343	93,086	(142,257)
Street Lighting Fund	1,537	1,848	311
D.D.A.	98,776	74,341	(24,435)
Liquor Fund	<u>1,442</u>	<u>124</u>	<u>(1,318)</u>
Totals	<u>\$1,111,789</u>	<u>\$1,049,311</u>	<u>\$ (62,478)</u>

Capital Assets and Long-Term Debt Activity

The Township's total capital outlay in governmental funds was \$197,828. There was no long-term debt activity either new borrowing or principal repayment.



INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2006

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of Inverness Township's finances and also to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township officials at 734 South V.F.W. Road, Cheboygan, Michigan 49721

## GENERAL PURPOSE FINANCIAL STATEMENTS

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GOVERNMENT -WIDE STATEMENTS OF NET ASSETS  
MARCH 31, 2006

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business –</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
ASSETS:			
CURRENT ASSETS:			
Cash	\$ 906,997	\$262,352	\$1,169,349
Taxes Receivable	20,553	13,588	34,141
Dues From Other Funds	90,409	0	90,409
Due From Other Governments	<u>48,303</u>	<u>0</u>	<u>48,303</u>
Total Current Assets	<u>\$1,066,262</u>	<u>\$275,940</u>	<u>\$1,342,202</u>
NON-CURRENT ASSETS:			
CAPITAL ASSETS:			
Land	\$ 30,250	\$ 0	\$ 30,250
Buildings	199,919	0	199,919
Equipment	1,029,399	0	1,029,399
Infrastructure	0	3,128,942	3,128,942
Accumulated Depreciation	<u>(465,121)</u>	<u>(93,868)</u>	<u>(558,989)</u>
Total Non-Current Assets	<u>794,447</u>	<u>3,305,074</u>	<u>3,829,521</u>
Total Assets	<u>\$1,860,709</u>	<u>\$3,311,014</u>	<u>\$5,171,723</u>
LIABILITIES:			
Accounts Payable	\$ 4,092	\$ 2,386	\$ 6,478
Accrued Interest Payable	0	12,006	12,006
Payroll Taxes Payable	694	0	694
Due Other Funds	66,165	24,019	90,184
Non-Current Liabilities:			
Due Within One Year	0	45,000	45,000
Due In More Than One Year	<u>0</u>	<u>3,043,942</u>	<u>3,043,942</u>
Total Liabilities	<u>\$ 70,951</u>	<u>\$3,127,353</u>	<u>\$3,198,304</u>
NET ASSETS:			
Invested In Capital Assets Net of Related Debt	\$ 794,447	\$ 53,868	\$ 848,315
Restricted For:			
Capital Projects	28,571	0	28,571
Public Works	1,848	129,793	131,641
Unrestricted	<u>1,018,892</u>	<u>0</u>	<u>1,018,892</u>
TOTAL NET ASSETS	<u>\$1,843,758</u>	<u>\$ 183,661</u>	<u>\$2,027,419</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDING MARCH 31, 2006

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
Legislative	\$ 32,691	\$ 0	\$ 0	\$ 0	\$ (32,691)	\$ 0	\$ (32,691)
Executive	12,302	0	0	0	(12,302)	0	(12,302)
General Services and Administration	88,384	0	0	0	(88,384)	0	(88,384)
Public Safety	317,693	1,223	37,056	13,860	(265,554)	0	(265,554)
Public Works	41,507	25,359	0	0	(16,148)	0	(16,148)
Sanitation	35,968	0	0	0	(35,968)	0	(35,968)
Parks and Recreation	989	0	0	0	(989)	0	(989)
Other	<u>6,671</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,671)</u>	<u>0</u>	<u>(6,671)</u>
TOTAL GOVERNMENT ACTIVITIES	536,205	26,582	37,056	13,860	(458,707)	0	(458,707)
BUSINESS -TYPE ACTIVITIES:							
Sewer	<u>304,314</u>	<u>232,788</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(71,526)</u>	<u>(71,526)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$840,519</u>	<u>\$259,370</u>	<u>\$ 37,056</u>	<u>\$ 13,860</u>	(458,707)	(71,526)	(530,233)

The accompanying notes are an integral  
part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE FISCAL YEAR ENDING MARCH 31, 2006

Net (Expense) Revenue and Changes in Net Assets							
Primary Government							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
GENERAL REVENUE:							
Taxes					\$ 225,551	\$ 0	\$ 225,551
State Shared Revenue					158,741	0	158,741
Interest and Rentals					28,283	904	29,187
Miscellaneous					1,200	0	1,200
Transfers					<u>(73,136)</u>	<u>73,136</u>	<u>0</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>340,639</u>	<u>74,040</u>	<u>414,679</u>
CHANGE IN NET ASSETS					<u>\$(118,068)</u>	<u>\$ 2,514</u>	(115,554)
NET ASSETS – BEGINNING							<u>2,142,973</u>
NET ASSETS – ENDING							<u>\$2,027,419</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
BALANCE SHEET  
MARCH 31, 2006

	General <u>Fund</u>	Fire <u>Fund</u>	Non-Major Governmental <u>Fund</u>	Total Government <u>Funds</u>
ASSETS:				
Cash	\$903,518	\$ 28,810	\$ 28,669	\$960,997
Taxes Receivable	20,553	0	0	20,553
Due From Other Funds	24,244	66,165	0	90,409
Due From Other Govern.	<u>0</u>	<u>0</u>	<u>48,303</u>	<u>48,303</u>
 TOTAL ASSETS	 <u>\$948,315</u>	 <u>\$ 94,975</u>	 <u>\$ 76,972</u>	 <u>\$1,120,262</u>
LIABILITIES:				
Accounts Payable	\$ 1,544	\$ 1,889	\$ 659	\$ 4,092
Payroll Taxes Payable	694	0	0	694
Due To Other Funds	<u>66,165</u>	<u>0</u>	<u>0</u>	<u>66,165</u>
 Total Liabilities	 68,403	 1,889	 659	 70,951
FUND BALANCE:				
Unreserved	879,912	64,515	74,465	1,018,892
Reserved	<u>0</u>	<u>28,571</u>	<u>1,848</u>	<u>30,419</u>
 Total Fund Balance	 <u>879,912</u>	 <u>93,086</u>	 <u>76,313</u>	 <u>1,049,311</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$948,315</u>	 <u>\$ 94,975</u>	 <u>\$ 76,972</u>	 <u>\$1,120,262</u>

The accompanying notes are an integral  
part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDING MARCH 31, 2006

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$1,049,311
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>794,447</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$1,843,758</u>
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INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDING MARCH 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ (62,478)
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Amounts reported for governmental activities in the  
 Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.  
 However, in the statement of activities, the cost of those  
 assets is allocated over their estimated useful lives as  
 depreciation expense. This is the amount by which capital  
 outlays exceeded deprecation in the current period.

Depreciation Expense	<u>\$ 55,590</u>	<u>(55,590)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$(118,068)</u></u>
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INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING MARCH 31, 2006

	General <u>Fund</u>	Fire <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Government <u>Funds</u>
REVENUE:				
Taxes	\$173,362	\$ 0	\$ 52,189	\$225,551
State Shared Revenue	157,226	0	1,515	158,741
Charges for Services	25,359	1,223	0	26,582
Interest & Rentals	23,900	3,985	398	28,283
Miscellaneous	0	1,200	0	1,200
Contributions From Local Governments	<u>0</u>	<u>50,916</u>	<u>0</u>	<u>50,916</u>
Total Revenue	379,847	57,324	54,102	491,273
EXPENDITURES:				
Legislative	32,691	0	0	32,691
Elections	12,302	0	0	12,302
General Services and Administration	81,908	0	0	81,908
Law Enforcement	0	0	2,833	2,833
Fire	0	265,746	0	265,746
Highways & Streets	37,932	0	3,575	41,507
Sanitation	35,968	0	0	35,968
Public Works	989	0	0	989
Other	<u>6,671</u>	<u>0</u>	<u>0</u>	<u>6,671</u>
Total Expenditures	<u>208,461</u>	<u>265,746</u>	<u>6,408</u>	<u>480,615</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	171,386	(208,422)	47,694	10,658
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	66,165	0	66,165
Operating Transfers (Out)	<u>(66,165)</u>	<u>0</u>	<u>(73,136)</u>	<u>(139,301)</u>
Total Other Financing Sources (Uses)	<u>(66,165)</u>	<u>66,165</u>	<u>(73,136)</u>	<u>(73,136)</u>

The accompanying notes are an integral  
part of these financial statements.

INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 (CONTINUED)  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING MARCH 31, 2006

	General <u>Fund</u>	Fire <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Government <u>Funds</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$ 105,221	\$(142,257)	\$ (25,442)	\$ (62,478)
FUND BALANCES – BEGINNING OF YEAR	<u>774,691</u>	<u>235,343</u>	<u>101,755</u>	<u>1,111,789</u>
FUND BALANCES – END OF YEAR	<u>\$879,912</u>	<u>\$ 93,086</u>	<u>\$ 76,313</u>	<u>\$1,049,311</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF ASSETS  
PROPRIETARY FUNDS  
MARCH 31, 2006

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 262,352	\$ 0	\$ 262,352
Special Assessments Receivable	<u>13,588</u>	<u>0</u>	<u>13,588</u>
Total Current Assets	275,940	0	275,940
NON-CURRENT ASSETS:			
CAPITAL ASSETS:			
Infrastructure	3,128,942	0	3,128,942
Less Accumulated Depreciation	<u>(93,868)</u>	<u>0</u>	<u>(93,868)</u>
Net Capital Assets	<u>3,035,074</u>	<u>0</u>	<u>3,035,074</u>
TOTAL ASSETS	<u>\$3,311,014</u>	<u>\$ 0</u>	<u>\$3,311,014</u>

<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts Payable	\$ 0	\$ 2,386	\$ 2,386
Accrued Interest Payable	12,006	0	12,006
Due To Other Funds	24,019	0	24,019
Current Portion of Long-Term Debt	<u>45,000</u>	<u>0</u>	<u>45,000</u>
Current Liabilities	81,025	2,386	83,411
NON-CURRENT LIABILITIES:			
Long-Term Debt Payable	<u>3,043,942</u>	<u>0</u>	<u>3,043,942</u>
Total Non-Current Liabilities	3,043,942	0	3,043,942
TOTAL LIABILITIES	<u>\$3,124,967</u>	<u>\$ 2,386</u>	<u>\$3,127,353</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 STATEMENT OF ASSETS (CONTINUED)  
 PROPRIETARY FUNDS  
 MARCH 31, 2006

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 53,868	\$ 0	\$ 53,868
Restricted	<u>132,179</u>	<u>(2,386)</u>	<u>129,793</u>
TOTAL NET ASSETS	<u>\$186,047</u>	<u>\$ (2,386)</u>	<u>\$183,661</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
PROPRIETARY FUNDS  
MARCH 31, 2006

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total</u>
REVENUES:			
Special Assessments	\$ 91,970	\$     0	\$ 91,970
Charges for Services	140,818	0	140,818
Interest	<u>904</u>	<u>0</u>	<u>904</u>
Total Revenues	233,692	0	233,692
EXPENDITURES:			
Contract Services	0	26,405	26,405
Interest	152,751	0	152,751
Depreciation	<u>62,579</u>	<u>0</u>	<u>62,579</u>
Total Expenditures	215,330	26,405	241,735
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,362	(26,405)	(8,043)
OTHER FINANCIAL SOURCES/USES:			
Operating Transfers In	73,136	24,019	97,155
Operating Transfers (Out)	<u>(24,019)</u>	<u>0</u>	<u>(24,019)</u>
Total Other Financing Sources/Uses	<u>49,117</u>	<u>24,019</u>	<u>73,136</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	67,479	(2,386)	65,093
FUND BALANCES-BEGINNING OF YEAR	<u>118,568</u>	<u>0</u>	<u>118,568</u>
FUND BALANCES-END OF YEAR	<u><u>\$186,047</u></u>	<u><u>\$ (2,386)</u></u>	<u><u>\$183,661</u></u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
MARCH 31, 2006

	Sewer Fund	Sewer Reserve Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Special Assessments	\$ 91,970	\$ 0
Charges for Services	140,818	0
Depreciation	62,579	0
Payment to Supplies	<u>0</u>	<u>(24,019)</u>
Net Cash Provided By Operating Activity	<u>295,367</u>	<u>(24,019)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer From Other Funds	73,136	24,019
Transfer To Other Funds	<u>(24,019)</u>	<u>0</u>
Net Cash From Non-Capital Financing Activities	<u>49,117</u>	<u>24,019</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal and Interest Paid on Capital Debt	<u>(192,751)</u>	<u>0</u>
Net Cash From Capital and Related Financing Activities	<u>192,751</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest	<u>904</u>	<u>0</u>
Net Cash from Investing Activities	<u>904</u>	<u>0</u>
NET INCREASE IN CASH	152,637	0
BALANCE – BEGINNING OF YEAR	<u>109,715</u>	<u>0</u>
BALANCE – END OF YEAR	<u><u>\$262,352</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
FIDUCIARY FUNDS – STATEMENT OF NET ASSETS  
MARCH 31, 2006

	Agency Fund Type (Property Tax Collection Fund)
ASSETS:	
Cash	<u>\$ 1,577</u>
TOTAL ASSETS	<u>\$ 1,577</u>
LIABILITIES:	
Due To Other Funds	<u>\$ 1,577</u>
TOTAL LIABILITIES	<u>\$ 1,577</u>
NET ASSETS	<u>\$ 0</u>

The accompanying notes are an integral  
part of these financial statements.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Township of Inverness in Cheboygan, Michigan, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

**(1) REPORTING ENTITY**

Inverness Township is an incorporated Township, which operates under a Supervisor – Board form of government. The Township provides the following services: public safety, highways and streets, sanitation, public improvements and general administrative services.

The Township has considered all potential component units in valuating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 14 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are no component units to be included in these statements.

The financial reporting entity of Inverness Township includes all funds and accounts of the Township.

Discretely presented component unit:

The Inverness Township Fire Department was organized for control of day to day operations into a Joint Administrative Fire Board. The Board operates with officials appointed by the four different Townships involved. Because Inverness Township is the largest contributor and guarantor and because the Township retains budgetary control and veto power, the special revenue section of these financial statements reflect all activity of the Fire Board.

The Inverness Fire Department is shown under Governmental Funds – Fire Fund.



INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT -WIDE FINANCIAL STATEMENTS**

Inverness Township's basic financial statements include both government -wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government -wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. Inverness Township does classify sewer operation as business-type activities.

In the government -wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government -wide Statement of Activities reports both the gross and net cost of each of Inverness Township's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business -type activity. Operating grants include operating – specific and discretionary (either operating or capital) grants while the capital grants column reflects capital – specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government -wide focus is more on the sustainability of Inverness Township as an entity and the change in net assets resulting from the current year's activities. The effect of interfund activities has been removed from these statements.

**(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

**Governmental Funds**

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Fire Fund – The Fire Fund is used to account for financial resources to be used for expenditures related to fire protection within a four township district.
- Street Lighting Fund – The Street Lighting Fund is used to account for assessments specifically to cover costs of street lighting.
- D.D.A. Fund – Downtown Development Fund is used to account for tax increment financing for funding of the sewer system on the US-27 commercial corridor.
- Liquor Fund – This is a State mandated fund to fund liquor establishment inspection.

**Proprietary Funds**

The proprietary funds are used to account for specific activity (sewer) for which the Township charges for services and has financial capital assets with debt.

- Sewer Fund – Accounts for operations of the Sewer Fund, including collection of funds and repayment of debt.
- Sewer Reserve Fund – This Fund is used for system repair and maintenance.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

**(4) BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

**(5) FINANCIAL STATEMENT AMOUNTS**

**Budgets**

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as "GAAP Basis" are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the departmental level and control is exercised on that level.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All capital assets are valued historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	20 years
Building, Structures and Improvements	40 years
Equipment	5-12 years
Infrastructure	50 years

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**Property Taxes**

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

**Interfund Activity**

All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Vacation and Sick Leave**

The Township has no liability for accumulated vacation or sick leave.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – And Management’s Discussion And Analysis – For State And Local Governments* (GASB No. 34). Some of the significant changes in the Statement include the following:

- For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for the entire Townships’ activities, including infrastructure (e.g. streets, bridges and sidewalks).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS**

Cash equity in the common bank account of the Township is utilized by the various funds is as follows:

	<u>Checking</u>	<u>Savings</u>
General	\$ 63,777	\$530,915
Liquor Law	395	0
Street Lighting	<u>2,236</u>	<u>0</u>
	<u>\$ 66,408</u>	<u>\$530,915</u>

These deposits and interest payment accounts are with local financial institutions. All accounts are in the name of the Township. Interest is recorded when deposits mature or is credited to the applicable account.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS**  
(continued)

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal or direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature no more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in the financial institutions located in states other than Michigan.

The Township deposits are in accordance with statutory authority. The Governmental Account Standards Board (GASB) Statement Number 3 risk disclosures for the Township cash deposit are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insurance (FDIC)	\$ 500,000
Uninsured	<u>669,349</u>
	<u>\$1,169,349</u>

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE C – CAPITAL ASSETS**

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2006</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ <u>30,250</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>30,250</u>
Total Capital Assets, Not Being Depreciated	30,250	0	0	30,250
Buildings and Improvements	199,919	0	0	199,919
Furniture and Equipment	<u>823,813</u>	<u>205,586</u>	<u>0</u>	<u>1,029,399</u>
Total Capital Assets Being Depreciated	<u>1,023,732</u>	<u>205,586</u>	<u>0</u>	<u>1,229,318</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(42,308)	(4,998)	0	(47,306)
Furniture and Equipment	<u>(367,223)</u>	<u>(50,592)</u>	<u>0</u>	<u>(417,815)</u>
Total Accumulated Depreciation	<u>(409,531)</u>	<u>(55,590)</u>	<u>0</u>	<u>(465,121)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 644,451</u>	<u>\$149,996</u>	<u>\$ 0</u>	<u>\$ 794,447</u>

A depreciation expense for the Governmental Activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 6,476
Fire Fund	<u>49,114</u>
	<u>\$ 55,590</u>

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE C – CAPITAL ASSETS** (continued)

Summary of the capital assets for the Proprietary Fund (sewer) is as follows:

	Balance <u>April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>March 31, 2006</u>
PROPRIETARY FUND:				
Infrastructure	\$3,128,942	\$ 0	\$ 0	\$3,128,942
Accumulated Depreciation	<u>(31,289)</u>	<u>(62,579)</u>	<u>0</u>	<u>(93,868)</u>
PROPRIETARY FUND CAPITAL ASSETS, NET	<u>\$3,097,653</u>	<u>\$ (62,579)</u>	<u>\$ 0</u>	<u>\$3,035,074</u>

Depreciation expense for Proprietary Funds for the year ending March 31, 2006, was \$62,579.

**NOTE D – DEFINED CONTRIBUTION PENSION PLAN**

Inverness Township contributes to the Board Township Pension Plan, which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All Township employees participate in the plan from the date they are hired or elected. All contributions are subject to 100% vesting. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contribution because of 100% vesting.

Each employee contributes 12.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 12.5% of gross earnings.

During the year, the Township's required actual contributions amounted to \$15,667. Employees' required and actual contributions amounted to \$7,834.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.



INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE E – CONTINGENT LIABILITIES**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and nature disasters. The Township has obtained commercial insurance to handle its risk of loss.

**NOTE F – BUDGET VARIANCES**

Budgets are adopted on the departmental level. The budgets shown in the section for other supplemental information are shown by line items for information only. Therefore, negative variance is significant on the departmental basis. The only negative of significance was in the Sewer Reserve Fund. All appropriated funds were spent and at year-end there were accounts payable in the amount of \$2,386.

**NOTE G – INTERFUND TRANSFERS**

The following summarizes interfund transfer:

	<u>General</u>	<u>Fire</u>	<u>DDA</u>	<u>Sewer</u>	<u>Sewer Reserve</u>
Transfers In	\$ 0	\$ 66,165	\$ 0	\$ 73,136	\$ 24,019
Transfers Out	<u>(66,165)</u>	<u>0</u>	<u>(73,136)</u>	<u>(24,019)</u>	<u>0</u>
	<u><u>\$(66,165)</u></u>	<u><u>\$ 66,165</u></u>	<u><u>\$(73,136)</u></u>	<u><u>\$ 49,117</u></u>	<u><u>\$ 24,019</u></u>

**NOTE H – LONG-TERM DEBT SEWER**

The sewer project is being financed by a United States Department of Agriculture Rural Development loan. The loan is to be repaid over a thirty-eight year period with principal repayment according to the schedule below and interest at 4.625% per annum. These bonds, while issued by the County of Cheboygan, are guaranteed by the full faith and credit of the Township.

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2006

**NOTE H – LONG-TERM DEBT SEWER** (continued)

Principal repayment schedule:

<u>Year</u>	<u>Principal Amount</u>
2006	\$ 45,000
2007	50,000
2008	55,000
2009	60,000
2010	65,000
2011	70,000
2012	75,000
2013	80,000
2014	85,000
2015	90,000
2016 – 2021	95,000
2022 – 2042	100,000

## GENERAL FUND

INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 GENERAL FUND  
 STATEMENT OF APPROPRIATIONS, REVENUES AND TRANSFERS  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
REVENUES:		
Taxes:		
Current Property Tax	\$143,500	\$143,976
Property Tax Administration Fees	<u>21,000</u>	<u>29,286</u>
Total Taxes	<u>164,500</u>	<u>173,362</u>
State Shared Revenues	<u>125,000</u>	<u>157,226</u>
Charges for Services:		
Sales – Cemetery Lots and Other	300	1,193
Dump Tickets	15,000	17,512
Other	<u>300</u>	<u>6,654</u>
Total Charges for Services	<u>15,600</u>	<u>25,359</u>
Interest	<u>6,500</u>	<u>16,645</u>
Miscellaneous	<u>0</u>	<u>0</u>
Rent	<u>6,000</u>	<u>7,255</u>
TOTAL REVENUES	<u>\$317,600</u>	<u>\$379,847</u>

INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 GENERAL FUND  
 STATEMENT OF APPROPRIATIONS, EXPENDITURES AND TRANSFERS  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
EXPENDITURES:		
General Government:		
Township Board	\$ 50,775	\$ 32,691
Supervisor	13,450	12,302
Clerk	21,300	18,628
Board of Review	2,900	2,673
Elections	14	14
Treasurer	23,152	22,536
Cemetery	0	3,869
Assessor	23,900	22,745
Township Hall	16,300	11,443
Township Property – Other	<u>4,300</u>	<u>0</u>
Total General Government	<u>156,091</u>	<u>126,901</u>
Highways and Streets	<u>380,000</u>	<u>37,932</u>
Sanitation	<u>41,650</u>	<u>35,968</u>
Public Works	<u>1,200</u>	<u>989</u>
Parks and Recreation	<u>3,700</u>	<u>1,765</u>
Other Functions:		
Insurance	<u>6,000</u>	<u>4,906</u>
Total Expenditures	588,641	208,461
TRANSFERS TO OTHER FUNDS:		
Fire Fund	<u>70,312</u>	<u>66,165</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$658,953</u>	<u>\$274,626</u>

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GENERAL FUND  
STATEMENT OF DETAILED EXPENDITURES AND TRANSFERS  
YEAR ENDING MARCH 31, 2006

EXPENDITURES:

Legislative:

Township Board:

Wages	\$ 13,894	
Professional Services	7,516	
Printing and Publishing	343	
Membership and Dues	1,847	
Pension	8,014	
Payroll Taxes	917	
Education	<u>160</u>	<u>\$ 32,691</u>

Executive:

Supervisor:

Salary – Supervisor	12,017	
Office Supplies	13	
Transportation and Travel	157	
Education	65	
Dues and Subscriptions	<u>50</u>	<u>12,302</u>

General Services Administration:

Clerk:

Salary – Clerk	15,625	
Office Supplies	1,417	
Communication	396	
Repair and Maintenance	<u>1,190</u>	18,628

Board of Review:

Wages	1,935	
Printing and Publishing	439	
Transportation	32	
Education	240	
Supplies	<u>27</u>	2,673

Treasurer:

Salary	21,002	
Office Supplies	545	
Professional Fees	<u>989</u>	22,536

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GENERAL FUND  
STATEMENT OF DETAILED EXPENDITURES AND TRANSFERS  
YEAR ENDING MARCH 31, 2006

EXPENDITURES: (Continued)

General Services Administration:

Cemetery:

Repairs and Maintenance	\$ 208	
Contracted Services	3,300	
Insurance	<u>361</u>	\$ 3,869

Elections:

Supplies	<u>14</u>	14
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Assessor:

Salary	21,500	
Contract Services	1,145	
Supplies	<u>100</u>	22,745

Township Hall:

Wages	3,845	
Repairs and Maintenance	1,051	
Supplies	487	
Utilities	4,174	
Contracted Services	875	
Insurance	732	
Capital Outlay	<u>279</u>	11,443

Beaches:

Salaries	30	
Insurance	885	
Repair and Maintenance	690	
Supplies	<u>160</u>	<u>1,765</u>

Total General Services Administration		<u>83,673</u>
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Highways and Streets:

Highways, Streets and Bridges:

Roads	37,932	
Utilities	<u>989</u>	<u>38,921</u>

INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 GENERAL FUND  
 STATEMENT OF DETAILED EXPENDITURES AND TRANSFERS  
 YEAR ENDING MARCH 31, 2006

EXPENDITURES: (Continued)

Sanitation:

Sanitary Landfill:

Salaries	\$ 5,505	
Contracted Services	27,391	
Insurance	620	
Printing and Publishing	512	
Utilities	1,765	
Maintenance	<u>175</u>	<u>35,968</u>

Other Functions:

Insurance	<u>4,906</u>	<u>4,906</u>
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TOTAL EXPENDITURES		<u>208,461</u>
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TRANSFERS:

Fire Fund	<u>66,165</u>	<u>66,165</u>
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TOTAL EXPENDITURES AND TRANSFERS		<u>\$274,626</u>
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FIRE DEPARTMENT FUND

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
BALANCE SHEET  
FIRE DEPARTMENT FUND  
MARCH 31, 2006

ASSETS

ASSETS:

Cash	\$ 28,810
Due From Other Funds	<u>66,165</u>

TOTAL ASSETS	<u>\$ 94,975</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts Payable	<u>\$ 1,889</u>
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Total Liabilities	1,889
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FUND EQUITY:

Unreserved:	
Undesignated	64,515

Reserved:	
Designated	<u>28,571</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 94,975</u>
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INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 FIRE DEPARTMENT FUND  
 STATEMENT OF DETAILED REVENUES, EXPENDITURES AND TRANSFERS  
 BUDGET AND ACTUAL  
 YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Charges For Services	\$ 0	\$ 1,223	\$ 1,223
Interest Income	0	3,985	3,985
Miscellaneous	0	1,200	1,200
Contributions From Local Governments	<u>37,055</u>	<u>50,916</u>	<u>13,861</u>
Total Revenue	<u>37,055</u>	<u>57,324</u>	<u>20,269</u>
EXPENDITURES:			
Wages – Firemen and Board	26,000	22,414	3,586
Payroll Taxes	2,500	1,715	785
Operating Supplies	1,600	2,396	(796)
Repairs and Maintenance	10,000	10,144	(144)
Insurance	20,000	18,164	1,836
Utilities	5,000	5,710	(710)
Dues and Memberships	500	393	107
Capital Outlay	16,500	197,549	(181,049)
Miscellaneous	2,377	5,524	(3,147)
Office Expense	800	738	62
Mileage and Travel	800	999	(199)
Professional Services	1,800	0	1,800
Printing and Publishing	<u>150</u>	<u>0</u>	<u>150</u>
Total Expenditures	<u>88,027</u>	<u>265,746</u>	<u>(177,719)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	(50,972)	(208,422)	(157,450)
OTHER FINANCING SOURCES:			
Operating Transfer In	<u>51,172</u>	<u>66,165</u>	<u>14,993</u>
Total Other Financing Sources	<u>51,172</u>	<u>66,165</u>	<u>14,993</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 FIRE DEPARTMENT FUND  
 STATEMENT OF DETAILED REVENUES, EXPENDITURES AND TRANSFERS  
 BUDGET AND ACTUAL  
 YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 200</u>	\$(142,257)	<u>\$(142,457)</u>
FUND BALANCE – BEGINNING OF YEAR		<u>235,343</u>	
FUND BALANCES – END OF YEAR		<u>\$ 93,086</u>	

## NON-MAJOR GOVERNMENTAL FUNDS

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
YEAR ENDING MARCH 31, 2006

	<u>Special Revenue Funds</u>			
	<u>Liquor Law Enforcement</u>	<u>Street Lighting</u>	<u>DDA Fund</u>	<u>Total</u>
ASSETS:				
Cash	\$ 395	\$ 2,236	\$ 26,038	\$ 28,669
Due From Other Governmental Units	<u>0</u>	<u>0</u>	<u>48,303</u>	<u>48,303</u>
TOTAL ASSETS	<u>\$ 395</u>	<u>\$ 2,236</u>	<u>\$ 74,341</u>	<u>\$ 76,972</u>
LIABILITIES:				
Accounts Payable	<u>\$ 271</u>	<u>\$ 388</u>	<u>\$ 0</u>	<u>\$ 659</u>
Total Liabilities	271	388	0	659
FUND EQUITY:				
Unreserved – Undesignated	124	0	74,341	74,465
Reserved – Designated	<u>0</u>	<u>1,848</u>	<u>0</u>	<u>1,848</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 395</u>	<u>\$ 2,236</u>	<u>\$ 74,341</u>	<u>\$ 76,972</u>

The accompanying notes are an integral part of these financial statements.

INVERNES S TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDING MARCH 31, 2006

	<u>Special Revenue Funds</u>			
	<u>Liquor Law Enforcement</u>	<u>Street Lighting</u>	<u>DDA Fund</u>	<u>Total</u>
REVENUES:				
State Shared Revenue	\$ 1,515	\$ 0	\$ 0	\$ 1,515
Interest	0	0	398	398
Taxes	<u>0</u>	<u>3,886</u>	<u>48,303</u>	<u>52,189</u>
Total Revenues	<u>1,515</u>	<u>3,886</u>	<u>48,701</u>	<u>54,102</u>
EXPENDITURES:				
Current:				
Law Enforcement	2,833	0	0	2,833
Street and Highways	<u>0</u>	<u>3,575</u>	<u>0</u>	<u>3,575</u>
Total Expenditures	<u>2,833</u>	<u>3,575</u>	<u>0</u>	<u>6,408</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,318)	311	48,701	47,694
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(73,136)</u>	<u>(73,136)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>(73,136)</u>	<u>(73,136)</u>
EXCESS OF REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER (USES)	(1,318)	311	(24,435)	(25,442)
FUND BALANCE – BEGINNING OF YEAR	<u>1,442</u>	<u>1,537</u>	<u>98,776</u>	<u>101,755</u>
FUND BALANCE – END OF YEAR	<u>\$ 124</u>	<u>\$ 1,848</u>	<u>\$ 74,341</u>	<u>\$ 76,313</u>

The accompanying notes are an integral part of these financial statements.

## LIQUOR LAW ENFORCEMENT FUND



INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
LIQUOR LAW ENFORCEMENT FUND  
BALANCE SHEET  
YEAR ENDING MARCH 31, 2006

ASSETS

ASSETS:	
Cash	\$ <u>395</u>
TOTAL ASSETS	<u>\$ 395</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts Payable	\$ <u>271</u>
Total Liabilities	271
FUND BALANCE:	
Unreserved:	
Undesignated	<u>124</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 395</u>

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
LIQUOR LAW ENFORCEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
REVENUE:		
State Shared Revenue	\$ 1,500	\$ 1,515
Total Revenue	<u>1,500</u>	<u>1,515</u>
EXPENDITURES:		
Law Enforcement:		
Wages and Salary	<u>3,300</u>	<u>2,833</u>
Total Expenditures	<u>3,300</u>	<u>2,833</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,800)</u>	(1,318)
FUND BALANCE – BEGINNING OF YEAR		<u>1,442</u>
FUND BALANCE – END OF YEAR		<u>\$ 124</u>

## STREET LIGHTING FUND

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STREET LIGHTING FUND  
BALANCE SHEET  
MARCH 31, 2006

ASSETS

ASSETS:	
Cash	\$ <u>2,236</u>
TOTAL ASSETS	<u>\$ 2,236</u>

LIABILITIES AND FUND EQUITY

LIABILITIES:	
Accounts Payable	\$ <u>388</u>
Total Liabilities	388
FUND EQUITY:	
Reserved:	
Designated	<u>1,848</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,236</u>

INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 STREET LIGHTING FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
REVENUE:		
Taxes	<u>\$ 3,700</u>	<u>\$ 3,886</u>
Total Revenue	<u>3,700</u>	<u>3,886</u>
EXPENDITURE S:		
General Services Administration:		
Streets and Highways	<u>3,700</u>	<u>3,575</u>
Total Expenditures	<u>3,700</u>	<u>3,575</u>
EXCESS OF EXPENDITURES OVER REVENUE	<u>\$ 0</u>	311
FUND BALANCING – BEGINNING OF YEAR		<u>1,537</u>
FUND BALANCE – END OF YEAR		<u>\$ 1,848</u>

D. D. A. FUND

INVERNESS TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
D. D. A. FUND  
BALANCE SHEET  
MARCH 31, 2006

ASSETS

ASSETS:

Cash in Bank	\$ 26,038
Due From Other Governments	<u>48,303</u>

TOTAL ASSETS	<u>\$ 74,341</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts Payable	<u>\$ 0</u>
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Total Liabilities	0
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FUND EQUITY:

Unreserved:	
Undesignated	<u>74,341</u>

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 74,341</u>
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INVERNESS TOWNSHIP  
 CHEBOYGAN COUNTY, MICHIGAN  
 D. D. A. FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS  
 BUDGET AND ACTUAL  
 YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
REVENUES:		
Taxes	\$ 25,000	\$ 48,303
Interest	<u>300</u>	<u>398</u>
Total Revenue	<u>25,300</u>	<u>48,701</u>
EXPENDITURES:		
Public Works	<u>400</u>	<u>0</u>
Total Expenditures	<u>400</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,900	48,701
OTHER FINANCING SOURCES (USES):		
Operating Transfers Out	<u>0</u>	<u>(73,136)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(73,136)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 24,900</u>	(24,435)
FUND BALANCE – BEGINNING OF YEAR		<u>98,776</u>
FUND BALANCE – END OF YEAR		<u>\$ 74,341</u>



OTHER

# DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET  
CHEBOYGAN, MICHIGAN 49721  
(231) 627-4396  
FAX: (231) 627-6594

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS  
AND  
MICHIGAN ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

June 18, 2006

Inverness Township  
Township Board  
Cheboygan County, Michigan

Re: Comments and Recommendations

I have examined the general purpose financial statements of Inverness Township, Cheboygan County, for the year ended March 31, 2006, and have issued my report thereon dated June 18, 2006.

My examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing my examination, I made a study and evaluation of the internal accounting controls of Inverness Township, Cheboygan County. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because I am not relying on the entity's internal accounting control procedures to restrict my substantive tests, my study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, I do not express an opinion on the system of internal accounting control taken as a whole. Also, my examination made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

1. The Sewer Reserve Fund is a new fund used to account for repair and maintenance of the sewer system. There are required transfers required by the loan agreement. The required amounts are minimums, additional funds should be transferred if necessary to help the system in working order.

Inverness Township

Page 2

June 18, 2006

2. There were a few unfavorable budget variances within the Fire Fund. A new fire truck was purchased and though the payment was made from funds restricted for equipment acquisitions there should still be budgetary provisions made.

I would like to thank Mrs. Beethem and Mr. Maxwell for their assistance during the audit. I found the Township to be in very sound financial condition; which is a tribute to the present and past boards and officers. I look forward to working with your Township in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Daniel R. Nieland".

Daniel R. Nieland, C.P.A.

DRN/jb